

UTAH HOUSING CORPORATION
Minutes of Regular Meeting

January 29, 2014

PARTICIPANTS

Trustees:

Douglas DeFries, Chair
Kay Ashton, Vice Chair
Lucy Delgadillo, Trustee
Ed Leary, Trustee
Lerron Little, Trustee

Staff:

Cleon Butterfield, UHC Senior Vice President and CFO
Jonathan Hanks, UHC Senior Vice President and COO
Lindsay Bunker, UHC Executive Assistant

Guests:

Fred Olsen, Ballard Spahr, LLP

Trustees of the Utah Housing Corporation (UHC or Utah Housing) and UHC staff met in a Regular Meeting on January 29, 2015, at 1:30 PM MDT in person and via teleconference at the offices of Utah Housing Corporation, 2479 S Lake Park Blvd, West Valley City, UT.

The meeting was called to order by Chair, Doug DeFries. The Chair then determined for the record that a quorum of Trustees was present, as follows:

Douglas DeFries, Chair
Kay Ashton, Vice Chair (via teleconference)
Lerron Little, Trustee (via teleconference)
Lucy Delgadillo, Trustee (via teleconference)
Ed Leary, Trustee

The Chair excused the following Trustees:

Richard Ellis, Trustee
Mark Cohen, Trustee
Robert Whatcott, Trustee
Jon Pierpont, Trustee

Mr. DeFries began by welcoming the participating Trustees and staff, and excused Grant Whitaker, President, who was testifying to a Senate Committee at the Capitol regarding a bill to amend the Utah Housing Corporation Act, SB67. The Chair introduced Senior Vice President and CFO, Cleon Butterfield and announced that he would be taking the Trustees through the Board Packet.

Mr. Butterfield reported that the Notice of the Regular Meeting was given to all Trustees of Utah Housing and that material addressing the agenda items had been distributed to the Trustees in advance of the meeting.

Mr. Butterfield then acknowledged a Verification of Giving Notice, evidencing the giving of not less than 24 hours public notice of the date, time, place and summary of agenda of the Utah

Housing Corporation Special Meeting in compliance with the requirements of the Open and Public Meetings Act, Section 52-4-202, Utah Code Annotated 1953, as amended; together with the form of Notice of Special Meeting referred to therein; and also the required public notice of the 2015 Annual Meeting Schedule of Utah Housing will be entered into the Minutes.

The Chair called for the first agenda item.

1. Approval of the Minutes of December 11, 2014, Special Meeting

The Trustees had been provided with a copy of the written minutes of the December 11, 2014, Special Meeting in their board packets. The Trustees acknowledged they had sufficient time to review these minutes. Mr. DeFries asked for any discussion on the December 11, 2014, minutes as presented.

Following any discussion, the Chair called for a motion.

MOTION: TO APPROVE THE WRITTEN MINUTES OF THE SPECIAL MEETING OF DECEMBER 11, 2014.

Made by: Kay Ashton
Seconded by: Lucy Delgadillo
Vote: Unanimous approval

The Chair called for the next agenda item.

2. Resolution 2015-01 Authorizing the issuance of not to exceed \$100,000,000 GNMA MBS

RESOLUTION 2015-01

A RESOLUTION OF UTAH HOUSING CORPORATION AUTHORIZING THE PURCHASE OF NOT TO EXCEED \$100,000,000 OF SINGLE FAMILY MORTGAGE LOANS, THE EXCHANGE OF SUCH MORTGAGE LOANS FOR GINNIE MAE MORTGAGE-BACKED SECURITIES, THE SALE OF SUCH GINNIE MAE MORTGAGE-BACKED SECURITIES AND AUTHORIZING ALL DOCUMENTS REQUIRED IN CONNECTION THEREWITH; AND AUTHORIZING THE TAKING OF ALL OTHER ACTIONS NECESSARY TO THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY THIS RESOLUTION AND RELATED MATTERS.

Mr. DeFries began by introducing Resolution 2015-01 to approve additional authority for the issuance and securitization of Ginnie Mae Mortgage Backed Securities. Mr. DeFries asked Cleon Butterfield to begin the discussions.

Mr. Butterfield began by directing the Boards attention to the first two pages of the operating reports contained in the back of the board packet, which are the Schedule of Single

Family Program Capital Sources and graphics prepared by fiscal year of the Single Family Loan Production and Capital Sources. It was stated that all four resolutions; Resolution 2015-01, 02, 03 and 04 are related to raising capital for the purchase of single family loans and that these reports frame the conversation of UHC's capital needs for the next six months. The reports show the fiscal year production and capital needs since 2010. As of December 31, 2014, six months into the current fiscal year UHC has purchased over \$327 million of single family loans, which is nearly \$58 million more than the same six month period during the previous fiscal year.

Mr. Butterfield pointed out that the schedule entitled Capital Sources identifies five different funding sources, four of which represents the resolutions needing to be passed today to provide UHC with the ability to sell its new mortgage loan production over the next six months. It was stated that UHC loans are securitized into Mortgage Backed Securities (MBS) to be delivered into the forward TBA trades that were entered into to hedge the interest rate risk. It was also stated that the schedule includes an additional source of capital in the form of taxable housing bonds, which can be sold at par, thus allowing the investor to avoid paying high premiums that can be very volatile to fiscal statements. The taxable housing bonds have been very popular with local investors, principally industrial banks, who use the bonds to meet their CRA requirements. Mr. Butterfield also pointed out that sale of loans into UHC's CRA participation pools had decrease to zero during the fiscal year because of the higher premiums on the TBAs making those trades more profitable for UHC. It was also noted that the CRA participation pools would eventually become active again and that at this point in time UHC has the capacity that is needed for the next six months.

Mr. Butterfield then referred the Trustees back to Tab 2, Resolution 2015-01 authorizing the issuance of an additional amount not to exceed \$100,000,000 Ginnie Mae. The authority is needed for UHC's FHA insured loans from FirstHome, Score & HomeAgain which can all be placed in Ginnie Mae MBS. It was noted that the resolution includes the authority for Utah Housing to make down payment assistance loans in the form of second mortgages up to 6% of the first loan amount, which will have an interest rate 2% higher than the related first mortgage rate. Mr. Butterfield recommended that Resolution 2015-01 be approved by the Board.

Mr. DeFries asked if the Board had any questions for Mr. Butterfield and stated that MBS securitization was now the standard way UHC funds its loan purchases and this resolution was not new and that similar resolutions had been seen before. Mr. DeFries called for a motion to adopt the resolution.

MOTION: TO APPROVE RESOLUTION 2015-01 OF UTAH HOUSING CORPORATION AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$100,000,000 GNMA MBS.

Made by: Ed Leary
Seconded by: Lerron Little

Mr. DeFries asked for disclosures of potential conflicts before the vote was taken. Each Trustee was called on and they responded as follows:

Ed Leary	No interest to disclose
Douglas DeFries	Yes, as filed with UHC
Kay Ashton	Yes, as filed with UHC
Lucy Delgadillo	No interest to disclose
Lerron Little	Yes, as filed with UHC

The Senior Vice President confirmed that each of those Trustees who so indicated such interest had a Disclosure of Potential Interest statement on file with Utah Housing that it includes current pertinent information regarding his or her potential interests and that those statements are available for inspection and would be incorporated into the minutes by reference.

Following further discussion, Mr. DeFries called for a vote in this matter:

Vote: Approved Unanimously

The Chair called for the next agenda item.

3. **Resolution 2015-02 Authorizing the issuance of not to exceed \$150,000,000 Homes (Tax Exempt)**

RESOLUTION 2015-02

A RESOLUTION OF UTAH HOUSING CORPORATION (“UHC”) AUTHORIZING THE ISSUANCE AND SALE OF HOME OWNERSHIP MORTGAGE-BACKED EXEMPTED SECURITIES; AUTHORIZING THE EXECUTION OF SERIES INDENTURES, MORTGAGE PURCHASE AGREEMENTS, AND OTHER DOCUMENTS REQUIRED IN CONNECTION THEREWITH; AND AUTHORIZING THE TAKING OF ALL OTHER ACTIONS NECESSARY TO THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY THIS RESOLUTION; AND RELATED MATTERS.

Mr. DeFries introduced Resolution 2015-02 to authorize Utah Housing to issue an additional \$150,000,000 of HOMES (Tax Exempt) securities over and above what has been previously issued. He then asked Cleon Butterfield to begin the discussions.

Mr. Butterfield referred the Trustees to Tab 3, Resolution 2015-02, outlining staff's recommendation and providing a background of the Single Family Home Ownership Mortgage-backed Exempt Securities (HOMES) program. The tax-exempt Ginnie Mae mortgage-backed certificates are something of a hybrid between the historic MRB program and the standard Ginnie Mae TBA execution. Mr. Butterfield stated that the HOMES program and the loans that are funded by HOMES must meet the requirements of the tax regulations for tax exemption. All

loans being securitized into the HOMES must be compliant in terms of income limits, sales prices and yield restrictions. Mr. Butterfield emphasized that the HOMES allows UHC to return to issuing tax-exempt bonds in large volumes, which has been the traditional funding source for UHC Single Family Programs. He stated that it allows UHC to utilize its valuable tax exempt authority to create affordable housing. Mr. Butterfield noted that as interest rates trend upward, tax exemption will become even more valuable. He informed the board that the HOMES structure had been available to UHC for about two years, but it had been difficult to find investors to purchase the tax exempt structure, because it is structured a little differently than other MBS pass-thru securities and not widely understood. Mr. Butterfield stated that currently the underwriters are now able to find investors to make a viable market for HOMES certificates. It was explained that the HOMES structure often allows UHC to generate lower mortgage interest rates to the homebuyer and relatively higher premiums on the TBA sales at those lower mortgage rates. In addition, the new structure reduces the bonding costs and adds efficiencies to the administration of the bond issues. Mr. Butterfield projected that during the calendar year UHC could issue as much as \$260,000,000 of tax-exempt HOMES. The HOMES securities will provide capital exclusively for the FirstHome product, because it is UHC's only loan pipeline that is compliant for the tax-exempt rules.

Mr. Butterfield also noted that the resolution includes the authority for Utah Housing to make down payment assistance loans in the form of second mortgages up to 6% of the first loan amount, which will have an interest rate 2% higher than the related first mortgage rate. Mr. Butterfield recommended that Resolution 2015-02 be approved by the Board.

Mr. DeFries confirmed that the \$150,000,000 size was due to increased volume in the FirstHome product. It was noted that UHC had issued \$126,000,000 of HOMES certificates during the first six months of the fiscal year.

Mr. DeFries then called for a motion.

MOTION: APPROVE RESOLUTION 2015-02 OF UTAH HOUSING CORPORATION AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$150,000,000 HOMES (TAX EXEMPT).

Made by: Kay Ashton
Seconded by: Lerron Little

Mr. DeFries asked for disclosures of potential conflicts before the vote was taken. Each Trustee was called on and they responded as follows:

Ed Leary	No interest to disclose
Douglas DeFries	Yes, as filed with UHC
Kay Ashton	Yes, as filed with UHC
Lucy Delgadillo	No interest to disclose
Lerron Little	Yes, as filed with UHC

MOTION: TO APPROVE RESOLUTION 2015-03 OF UTAH HOUSING CORPORATION APPROVING THE ISSUANCE OF NOT TO EXCEED \$100,000,000 SINGLE FAMILY MORTGAGE BONDS (FEDERALLY TAXABLE).

Made by: Lerron Little
Seconded by: Lucy Delgadillo

Mr. DeFries asked for disclosures of potential conflicts before the vote was taken. Each Trustee was called on and they responded as follows:

Ed Leary	No interest to disclose
Douglas DeFries	Yes, as filed with UHC
Kay Ashton	Yes, as filed with UHC
Lucy Delgadillo	No interest to disclose
Lerron Little	Yes, as filed with UHC

The Senior Vice President confirmed that each of those Trustees who so indicated such interest had a Disclosure of Potential Interest statement on file with Utah Housing, that it includes current pertinent information regarding his or her potential interests and that those statements are available for inspection and would be incorporated into the minutes by reference.

Mr. DeFries called for a vote in this matter:

Vote: Approved Unanimously

The Chair called for the next agenda item.

5. **Resolution 2015-04 Authorizing the issuance of not to exceed \$100,000,000 Fannie Mae MBS**

RESOLUTION 2015-04

A RESOLUTION OF UTAH HOUSING CORPORATION AUTHORIZING THE PURCHASE OF UP TO \$100,000,000 OF SINGLE FAMILY MORTGAGE LOANS, THE SALE OF SUCH MORTGAGE LOANS TO FANNIE MAE FOR CASH OR THE EXCHANGE OF SUCH MORTGAGE LOANS FOR FANNIE MAE MORTGAGE-BACKED SECURITIES, THE SALE OF SUCH FANNIE MAE MORTGAGE-BACKED SECURITIES, AND AUTHORIZING ALL DOCUMENTS REQUIRED IN CONNECTION THEREWITH; AND AUTHORIZING THE TAKING OF ALL OTHER ACTIONS NECESSARY TO THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY THIS RESOLUTION AND RELATED MATTERS.

Mr. DeFries introduced Resolution 2015-04 authorizing the purchase of up to \$100,000,000 of single family mortgage loans to be sold to Fannie Mae for cash or in exchange for Fannie Mae Mortgage-Backed Securities. Mr. DeFries asked Cleon Butterfield to begin the discussions.

Mr. Butterfield explained that this authority will be used on conventional loans purchased from UHC's NoMI loan product. The NoMI loans represent about 30 percent of the UHC overall production. It was stated that the NoMI loan product is a partnership with Fannie Mae under their HFA Preferred Initiative. The loans offer the homebuyer the benefit of a lower monthly housing payment, due to the fact that there is no private mortgage insurance premium to pay.

It was also noted that UHC would be looking at that the possibility of a new conventional loan program that would be known as a Low MI. This new program would also be a partnership with Fannie Mae and has been used by UHC's sister agencies around the nation and had become very popular in some states. Each mortgage loan would have private mortgage insurance but in a reduced amount of coverage based on the LTV of the loan, which would also reduce the premium for the insurance. The smaller insurance premium reduces the housing costs and makes the home more affordable to the homebuyer. Such a program would be funded by the Fannie Mae Mortgage-Backed Securities (MBS) and for that reason UHC was requesting a little extra authority to be prepared to fund the start-up of that program.

It was noted that the resolution includes the authority for UHC to make down payment assistance loans in the form of second mortgages up to 4% of the first loan amount, which will have an interest rate 2% higher than the related first mortgage rate. Mr. Butterfield recommended that Resolution 2015-04 be approved by the Board. Mr. Butterfield stated that the four resolutions adopted today would authorize \$450,000,000 of new capital authority that will be needed to keep UHC's very popular and active Single Family Program continuously funded over the next six months.

Mr. DeFries asked about the delinquency performance on the NoMI loans portfolio. Jonathan Hanks responded that these loans are performing very well. Mr. Hanks stated that the NoMI portfolio delinquency rate as of December 31, 2014 was at 0.59% compared to 13.0+% for the Score loan portfolio. Mr. Butterfield noted that the FICO score on the NoMI loans must be 700 or above, which tends to be a good predictor of loan performance.

Mr. Ed Leary inquired about the average servicing fee on the loans being sold and noted that the trend was down. He asked if that was a concern for UHC's operations. Mr. Butterfield stated that when loans are sold as Ginnie Mae II MBSs that the note rates can vary but the pass through to the investor is fixed at the half coupon, for example 4.00%; 4.50%; or 5.00%. The servicing fee becomes a variable component to match the collections to the pass-thru to the investor. In some cases the same loan can go into a lower coupon for a higher servicing fee or into a higher coupon for a higher up front premium. Internal analysis supports taking the highest coupon and lowest servicing fee to maximize the premium. The prepayment projection of the loans being sold is a key determinate of the analysis. There were no further questions. Mr. DeFries called for a motion to approve the resolution.

MOTION: TO APPROVE RESOLUTION 2015-04 OF UTAH HOUSING CORPORATION AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$100,000,000 FANNIE MAE MBS.

Made by: Kay Ashton
Seconded by: Ed Leary

Mr. DeFries asked for disclosures of potential conflicts before the vote was taken. Each Trustee was called on and they responded as follows:

Ed Leary	No interest to disclose
Douglas DeFries	Yes, as filed with UHC
Kay Ashton	Yes, as filed with UHC
Lucy Delgadillo	No interest to disclose
Lerron Little	Yes, as filed with UHC

The Senior Vice President confirmed that each of those Trustees who so indicated such interest had a Disclosure of Potential Interest statement on file with Utah Housing that it includes current pertinent information regarding his or her potential interests and that those statements are available for inspection and would be incorporated into the minutes by reference.

Following further discussion, Mr. DeFries called for a vote in this matter:

Vote: Approved Unanimously

The Chair called for the next agenda item.

Other items of Business

Mr. Butterfield and Jonathan Hanks reviewed the operating reports to the satisfaction of the Trustees. The review included the financials, loan activity, delinquency and compliance program reports.

Following the other items of business The Chair adjourned the meeting.